

SEARS HOLDINGS

J. Kal Gibron, Esq.
Divisional Vice President and Associate
General Counsel, Real Estate

Sears Holdings Corporation
3333 Beverly Road, BC-116B
Hoffman Estates, Illinois 60179
Writer's Direct Dial: (847) 286-9341
Fax: (847) 286-3803

May 28, 2009

Mr. George Malina, Chair
Members of the Planning Commission
Tukwila City Hall
6200 Southcenter Boulevard
Tukwila, WA 98188

RE: Urban Center Subarea Plan for Southcenter

Dear Chair Malina and Members of the Planning Commission,

Sears, Roebuck and Company ("Sears") appreciates the opportunity to comment on the Urban Center Subarea Plan for Southcenter ("Subarea Plan").

Our store at Westfield Southcenter Mall ("Mall") has served the community and has been a shopping destination for Tukwila residents and their families for 15 years. We greatly value the store and hold a long-term lease, underscoring our commitment to continue serving the community.

Sears appreciates the vision articulated by the City of Tukwila ("City") in the Subarea Plan. We are particularly supportive of the stated goal to bolster Tukwila Urban Center's market position as the primary regional shopping center for South King County, but we also find that the plan raises a lot of questions and concerns regarding its implementation, economic feasibility, and treatment of existing conditions. The goal of creating areas for a walkable urban community with housing and employment opportunities in addition to destination retail is bold and exciting. That being said, the implementation strategy and timing for achieving such a dramatic goal is critical and of no lesser importance than the goal itself. In a vibrant retail center like Westfield Southcenter Mall, the stakes are high not only for the City, but for Sears, as well as all other retailers and businesses occupying the mall, who must continue to serve their customers by offering products and services that meet their needs while providing them with a convenient and pleasant shopping experience. The current draft of the Subarea Plan raises a number of significant concerns for established occupants of the Mall such as Sears, including the viability of future operations. Among Sears' concerns are:

- > Economic Impacts
- > Non-conforming uses and structures
- > Parking location and configurations

EXHIBIT 7 DATE 5/28/09
PROJECT NAME
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FILE NO 209-008

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- Traffic circulation
- Constraints on potential expansion
- Constraints on exterior and interior alterations
- Grandfathering of existing conditions
- Need for more stakeholder input
- Compliance with legal process, procedural and substantive

As drafted, the Subarea Plan proposes an implementation strategy that is immediate. It renders a substantial number of uses and structures in the mall, including our Sears building, nonconforming. The proposal could have serious adverse impacts on the value and marketability of our property rights and our leasehold interest. But perhaps of more importance to the City, there could be unintended adverse impacts to the City's revenue stream. This subarea represents a very important source of public tax revenue, which could be impacted if you so dramatically change the land use plans for this area. We are concerned that the economic studies cited in the report may be out of date. Clearly, in these uncertain times, the Commission should proceed cautiously and with solid information.

As a retailer, Sears is known for offering top brands in appliances, electronics, tools and lawn and garden equipment, all of which are items that, unless delivered to a customer's home, require a customer's car be parked near the Sears store and that the customer be provided with the ability to easily access Sears' merchandise pick-up area. These types of purchases do not lend themselves to being carried as packages from store to store. This becomes even more critical to Sears as the residential component of the Subarea Plan is implemented as those looking for the types of products to furnish their new homes will be typical Sears customers. The suggested concentration of street oriented developments along the Urban Center Boulevards to the Mall's border to the south and east appear to replace convenient parking and demand construction of additional parking decks. Also, the general parking requirements set forth in the Subarea Plan limit the number of drive entrances and lanes which is contrary to convenient mall layouts. It is imperative that parking and the store's merchandise pick-up area remain conveniently located and accessible and that traffic circulation be unencumbered.

In addition, many of the provisions of the Subarea Plan preclude or severely limit future expansion that we believe would improve the quality of our offering to our customer and, as a result, contribute to the overall success of the Mall. Sears relies on a degree of certainty and flexibility from its landlords and governing jurisdictions. We need to count on a predictable land use code that includes the ability to make additions and alterations to our store so that we remain relevant to our customers. As recently as December, 2008, and in conjunction with Westfield's renovation and expansion of the Mall, Sears negotiated the right to expand its store to allow the possibility of adding restaurant/retail floor area or constructing a Sears automotive service center, which is one of Sears core businesses. The Subarea Plan would no longer permit such an expansion and completely deny Sears the benefit of its agreement with Westfield. Furthermore, the efficiencies, economies of scale and customer convenience that come with a Sears auto center being located near its main retail operations are completely lost if Sears' only option is to locate such a facility in some other area of the City.

Within the existing Mall, it is unclear how to assess the impact of one retailer's desire to make alterations which trigger the new development guidelines, including building orientation and side and rear setback requirements, on other occupants of the Mall. What is the impact to an adjacent retailer? What is the

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impact on existing occupants of new structures built within the Mall which must meet all the new guidelines, including structured parking? While the plan states that non-conforming uses and development may continue as set forth in the Tukwila Municipal Code, it does not appear the plan will allow incremental improvements. The impact of implementing the new guidelines in an unstructured fashion could prove devastating to other retailers.

As Westfield conveyed in its recent testimony to the Commission, placing severe constraints on the Mall less than twelve months after the completion of a major \$600 million renovation and expansion, a process in which the City was fully involved, raises serious concerns about the City's commitment to Tukwila's retailers and the benefits we provide. It forces retailers to revisit their position and future plans in light of the risk of having to unexpectedly expend substantial funds or reallocate resources which may not be readily available. It is difficult, if not impossible, to understand why this should be a concern at all in light of the major renovation and expansion of the Mall just completed.

Retail in the context of a regional mall like Westfield Southcenter cannot be taken for granted. Many malls in many urban areas across the country are in desperate straits. Westfield Southcenter is solid, but not invincible. Retail is fragile and more competitive than ever. It is important that retailers, property owners and cities work collaboratively to assure their mutual success.

From a procedural standpoint, it seems that many area retailers and other stakeholders were not adequately notified of the City's plans; a serious issue, given the magnitude of the proposal. Sears' only notice of the Subarea Plan was through Westfield shortly before the hearing that was held on April 23rd. A fundamental requirement of the Growth Management Act ("GMA") is an adequate public participation plan; therefore, we support additional stakeholder input.

Another procedural question we have surrounds the City's process under the State Environmental Policy Act ("SEPA"). According to the statement on the City's website, the City has decided to defer the draft Supplemental EIS process until after the Planning Commission's review. Yet, SEPA requires that the environmental review process be integrated at the earliest possible time in the planning process to ensure that planning and decisions reflect environmental values, to avoid delays later in the process, and to resolve potential problems. The Commission should consider whether its review should await the Supplemental EIS, which by law will have to consider a range of alternatives to the proposal.

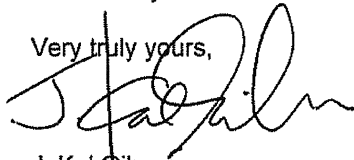
Finally, we are concerned that the draft plan may result in many other potential legal shortcomings, including inconsistencies with GMA and the comprehensive plan, as well as possible unintended constitutional issues to private property interests. We look forward to working with the City so that any adopted plan can avoid such legal pitfalls. We will continue to follow the process and may submit other comments as the City's review proceeds.

We applaud the Commission for recognizing that additional review of the Subarea Plan is warranted and for its recent decision to allow staff to revise the plan based on public input. We agree that updated economic data would well serve the process. The expansive breadth of the Subarea Plan warrants a process that allows for close and careful review and further in-depth analysis. We believe our concerns and questions echo the sentiments of many other retailers within and outside of the Mall. Therefore, we encourage you to increase stakeholder involvement by establishing a task force or committee that

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includes retailers and other businesses. We believe direct, two-way communication and collaboration with stakeholders would facilitate the development of alternative economically viable implementation strategies, long-term development regulations that are sensitive to existing users, and an overall plan that is ultimately more effective for all involved.

Very truly yours,



J. Kal Gibron
Divisional Vice President

cc: The Honorable Mayor Jim Hagerton
The Honorable Community Affairs and Parks Committee Chair Verna Griffin